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C O N F I D E N T I A L SECTION 01 OF 02 BAGHDAD 000031

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TAGS: [ECON](#) [EFIN](#) [IZ](#)

SUBJECT: 2007 GOI BUDGET: REVIEW PROCESS AT THE COUNCIL OF REPRESENTATIVES

REF: A. BAGHDAD 26

[1B](#). 2006 BAGHDAD 4746

Classified By: Acting Economic Minister-Counselor Edward Kloth for reasons 1.4(b) and (d).

¶11. (C) Summary: The Government of Iraq submitted the 2007 draft budget to the Council of Representatives for approval more than two months late on December 24, 2006, following unanimous approval by the Council of Ministers on December 21. The review process by the Council of Representatives (CoR) is still to be determined; the next plenary session is expected on January 7, the first session since before the Eid holiday. The Economic and Finance Committees have been given responsibility for the initial review, and party groups have also been meeting with Ministry of Finance officials to better understand the budget. Likely changes at the CoR include greater allocations for the provincial budgets, and reduced funding for the Presidency Council and the Council of Ministers. Until the 2007 budget is passed, ministries are authorized to spend based on the 2006 budget. End summary.

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The Role of the Council of Representatives  
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¶12. (SBU) The review process has yet to be fully determined by the CoR. The Minister of State for Parliamentary Affairs, Safa Al-Din Al-Safi (Shi'a - Independent) presented the 2007 draft budget to Sheikh Khalid Al-Atiya (Shi'a - SCIRI), the Deputy Speaker of the Council of Representatives (CoR) on December 24. In a press release announcing the arrival of the budget the Deputy Speaker noted that Article 62 of the Iraqi constitution gives the CoR authority to transfer funds between the sections and chapters of the general budget, to reduce total sums of money, and to send suggestions of increases to the Council of Ministers.

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A Review Process in Flux  
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¶13. (C) Two CoR committees are primarily responsible for the budget review, the Economic Committee and the Finance Committee. Post is meeting with members of both committees, and will continue to follow the process and provide technical assistance as necessary (ref B). In a December 26 meeting with Econ Committee member Dr. Aliya Al Baldawi (Shi'a - Independent), initial concerns focused on "a lack of attention to domestic needs", specifically with regard to the sudden removal of fuel import subsidies and a proposed increase in taxes to create non-oil revenues. Dr. Al Baldawi also acknowledged problems with budget execution, saying that the Econ Committee was considering adding a provision to the budget law stipulating that ministries submit to quarterly accountability reviews by the CoR. (For a detailed description of the 2007 budget passed by the Council of

Ministers please see ref A.)

¶4. (C) Informal meetings by subsets of the Committees and the block parties have been held over the past week, although many CoR members have been out of town for the Hajj and Eid. The next plenary session is scheduled for January 7, after the end of the Eid holidays. The Chair of the Finance Committee, Ayad Al Samarai (Sunni - IIP), has told Emboffs that every committee will be involved in reviewing the budget. The Council of Representatives is required by its bylaws to remain in session until the budget is passed; the late arrival of the budget from the Council of Ministers (the budget was due in October 2006) has already delayed its planned recess for January and February. In addition to the interest of facilitating efficient government spending, therefore, members have personal incentives to pass the budget quickly. The Chair of the Finance Committee expects the process to take up to four weeks.

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The Iraqi Continuing Resolution  
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¶5. (C) As the budget was not approved by the end of 2006, spending units will be funded at a monthly rate of 1/12th of the 2006 budget based on the Financial Management Law. It is unclear whether this rule has been announced to all relevant agencies, and some members of the CoR at least were unaware of the mechanics of this law. If past experience is any indication, the Iraqi ministries are likely to pay salaries promptly, but delay all other payments. Post is seeking clarification from the GOI regarding the practice to be followed prior to passage of the budget.

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Comment  
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¶6. (C) Members of the CoR Economic and Finance committees have requested post assistance in analyzing and presenting the 2007 budget to their colleagues. Many members are taking the responsibility of reviewing the budget seriously; so far we do not have the sense that significant changes will be made to the proposed budget. The real effect of the ultimately approved budget will depend on whether or not budget execution improves in 2007. End comment.

KHALILZAD